

MINUTE ITEM

7. UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, FAULT BLOCK III, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10,101.

After consideration of Calendar Item 6 attached, and upon motion duly made and unanimously carried, the following resolution was adopted:

THE COMMISSION:

1. FINDS THAT THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, PROPOSED FOR FAULT BLOCK III, WILMINGTON OIL FIELD, INCLUDES TIDE AND SUBMERGED LANDS WHICH HAVE BEEN GRANTED BY THE STATE OF CALIFORNIA TO THE CITY OF LONG BEACH WITHOUT RESERVATION TO THE STATE OF THE RIGHT TO PRODUCE OIL OR GAS THEREFROM; THAT THE CITY OF LONG BEACH HAS SUBMITTED SUCH AGREEMENT TO THE STATE LANDS COMMISSION FOR APPROVAL; THAT SUCH AGREEMENT PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH SAID GRANTED LANDS ARE SUBJECT IS PROHIBITED; AND, THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVES THE AFORESAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.

Attachment

Calendar Item 6 (2 pages)

CALENDAR ITEM

6.

UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, FAULT BLOCK III, WILMINGTON OIL FIELD, LOS ANGELES COUNTY - L.B.W.O. 10101.

The City of Long Beach has submitted for approval by the State Lands Commission, in accordance with applicable provisions of law, copies of the Unit Agreement, Unit Operating Agreement, and exhibits thereto, providing for the unitizing of all oil, gas and other hydrocarbons produced from the unitized formations in Fault Block III. The purpose of the agreement is to achieve the following:

1. To initiate and conduct repressuring operations in the unitized formations in an effort to arrest or ameliorate subsidence in the unit area in conformity with Article 5.5 of Chapter 1, Division 3, of the Public Resources Code of the State of California;
2. To promote the conservation of oil, gas and other hydrocarbon substances in the unitized formations; and
3. To increase the maximum economic quantity of oil, gas and other hydrocarbon substances ultimately recoverable from the unitized formations through repressuring operations.

Pursuant to the provisions of Section 3336 and Section 3319, the State Oil and Gas Supervisor has established the limits of the subsidence area and upon submission by the City of Long Beach of an engineering report and plan for repressuring operations in pools in the Wilmington Oil Field which include the Tar, Ranger, Upper Terminal and Lower Terminal Zones of Fault Block III, has adopted the repressuring plans set forth, subject to the specified requirements for work to be done under the plan.

The draft of the Unit Agreement, and the Unit Operating Agreement with accompanying exhibits, has been approved by the City Council of the City of Long Beach and by its Board of Harbor Commissioners, and Resolutions have been adopted making the findings required precedent to entry into such agreements in compliance with the requirements of applicable laws of the State of California.

On July 13, 1959 (Minute Item 1, page 5009), the Commission approved a cooperative agreement, providing for the injection of water into the four Upper Zones of Fault Block III, by and between certain operators in Fault Block III, subject to the condition that the agreement shall terminate when Long Beach lands are committed to the Fault Block III unit.

The Unit Agreement and Unit Operating Agreement will become effective at 7 a.m. on the first day of the calendar month in which the last of the following conditions occur:

1. The execution of the agreement by the following parties:

Union Pacific Railroad Company, Edison Company or alternatively by persons listed in Exhibit "A" of the agreement.

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2. The delivery of executed counterparts to the Union Pacific Railroad Company;
3. The approval by the Supervisor under Section 3320.1(a) of the Public Resources Code.

The above requirements must be fulfilled prior to March 1, 1960 or the agreement is of no further force or effect.

The term of this agreement, method of allocating unit operating and injection costs, hydrocarbon substances produced and determining primary and secondary participation are the same as specified in the Fault Block II agreement. The working interest owners manage and control unit operations and exercise individual voting powers equal to individual unit participation. During the interim period, the unit coordinator and one unit operator will be the Union Pacific Railroad Company, the other unit operator during this period will be the City of Long Beach.

The general comments relative to procedures developed for allocating costs, hydrocarbon production and unit operations, and the water injection program as outlined for the Fault Block II agreement are applicable to the Fault Block III agreement.

The Unit Agreement, Unit Operating Agreement and exhibits thereto, have been reviewed as to legality by the Office of the Attorney General who has advised that the proposed agreement conforms with applicable provisions of law as to its legal sufficiency, and that it may be approved by the State Lands Commission subject to favorable findings by the Staff as to the administrative and engineering feasibility and merit thereof.

IT IS RECOMMENDED THAT THE COMMISSION:

1. FIND THAT THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, PROPOSED FOR FAULT BLOCK III, WILMINGTON OIL FIELD, INCLUDES TIDE AND SUBMERGED LANDS WHICH HAVE BEEN GRANTED BY THE STATE OF CALIFORNIA TO THE CITY OF LONG BEACH WITHOUT RESERVATION TO THE STATE OF THE RIGHT TO PRODUCE OIL OR GAS THEREFROM; THAT THE CITY OF LONG BEACH HAS SUBMITTED SUCH AGREEMENT TO THE STATE LANDS COMMISSION FOR APPROVAL; THAT SUCH AGREEMENT PROVIDES THAT ANY IMPAIRMENT OF THE PUBLIC TRUST FOR COMMERCE, NAVIGATION OR FISHERIES TO WHICH SAID GRANTED LANDS ARE SUBJECT IS PROHIBITED; AND, THAT THE ENTERING INTO AND THE PERFORMANCE OF SUCH AGREEMENT IS IN THE PUBLIC INTEREST.
2. APPROVE THE AFORESAID UNIT AGREEMENT AND UNIT OPERATING AGREEMENT, WITH ACCOMPANYING EXHIBITS, ON BEHALF OF THE STATE, PURSUANT TO APPLICABLE LAW.